1.3 Business objectives

- Objectives provide businesses with a targeted direction for the future

  - Objectives and their importance to a firm
    - Objectives are the goals or targets an organization strives to achieve
    - They are generally specific and quantifiable and are set in line with the organization's mission statement
    - Objectives are important for three reasons
      - To measure and control

        > Business objectives help to control a firm's plans as they determine the parameters for business activity, Essentially,objectives provide the basis for measuring and controlling the performance of the business as a whole

      - To motivate

        > Business objectives can help to inspire managers and employees to reach a common goal, thus helping to unify and motivate the workforce.They also encourage managers to think strategically, i.e. to plan for the long term success of the business

      - To direct

        > Business objectives provide an agreed and clear focus (or sense of purpose)for all individuals and departments of an organization. As the foundation for decision-making, organizational objectives are used to devise appropriate business strategies

- Aims
  - Growth
    - This is usually measured by an increase in its sales revenue or by market share
    - Growth is essential for survival in order to adapt to ever-changing and competitive business conditions
    - Failure to grow may result in declining competitiveness and threaten the firm's sustainability
    - The benefits of growth for business

- Profitability

  Profit maximization is traditionally the main business objective of most private sector businesses
  It provides an incentive for entrepreneurs to take risks in setting up and running a business

- Protecting shareholder value

  This objective is about earning a profitable return for shareholders in a sustainable way
  Protecting shareholder value encompasses both short-and long-term objectives,including survival, profit, and growth in order to give owners a financial reward/return on their investments

- Corporate social responsibility
  - Corporate social responsibility(CSR) is the conscientious consideration of ethical and environmental practice related to business activity
  - CSR policies and practices need regular review in order to adapt to evolving attitudes and expectations of different markets/countries
  - CSR practices can provide firms with competitive advantages and long.term sustainability
- SWOT analysis
  - A SWOT analysis is a situational tool used to assess the internal and external environment of a business

- Strengths

  These are characteristics of the business that may give it an advantage over others
  Strengths are positive internal factors
  Strengths should be built upon where possible

- Weaknesses

  These are characteristics of the business that may give it a disadvantage over others
  Weaknesses are negative internal factors
  Weaknesses should be reversed where possible

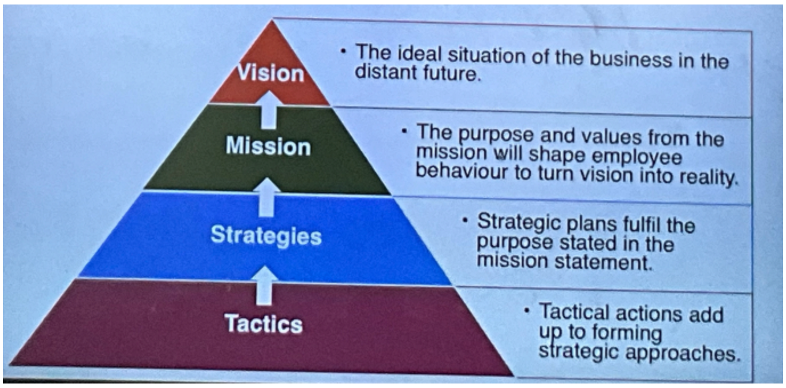
        - Opportunities

          These are factors that the business may use to enrich its competitive advantage
          Opportunities are positive external factors
          Opportunities should be exploited where possible

        - Threats

          These are current and emerging factors that may challenge the company's performance
          Threats are external negative factors
          Threats should be mitigated where possible

    - Advantages and disadvantages of SWOT analysis
        - Advantages
            - Quick and simple to construct
            - Wide range of applications
            - Determines market position and potential responses
            - Reduces risks
        - Disadvantages
            - Simplistic tool
            - Static model
            - Decision makers may be unwilling to face weaknesses and threats
            - Cannot be used as a business tool in isolation
    - Strategies
        - Offensive strategies
            - If the firm's strengths meet an opportunity,this enables the business to gain maximum benefit
            - This means the business should make the most of the favorable situation
        - Defensive strategies
            - When a firm's strengths meet external threats, it presents an element of risk
            - This requires the firm to defend itself
            - Typically, this strategy involves the business paying close attention to the competition so that it does not lose market share
        - Reorientation strategies
            - When there is a favorable situation in the external environment, but it correlates to an internal weakness, the firm must reorient its policies and practices
            - This means the firm must change the way it conducts its business activities
        - Survival strategies
            - When a weakness meets an external threat, this poses high risks to the firm
            - Firms aim to survive when this occurs by minimizing the adverse effects of such a situation
- Relationships between objectives



- Vision and mission statements

Vision statements		Mission statements
Aspirational (i.e. "What do we want to become?").	VERSUS	Declaration of purpose (i.e. "What is our business?"). Outlines the values of the business (i.e. its beliefs and guiding principles in business operations)
Very long-term focus		Immediate time period
Infrequently updated		Updated more frequently
Does not specify actual targets to achieve.		More concrete and specific in targets it wants to achieve.
About "some day" in the future.		About "each and every day" in the present

  - Vision

    > This is an outline of an organization's aspirations in the distant future(long term)
    > Vision statements focus on the very long-term
    > They are expressed as abroad view of where the company wants to be

  - Mission statements
    - This is a simple declaration of

      > The underlying purpose of an organization's existence
      > Its core values

    - Mission statements focus on the medium to long-term
    - A well-written mission statement is clearly defined and realistically achievable
- Objectives
  - Ethical objectives
    - Introduction
      - Ethics are the moral*principles that guide decision-making and strategy

        > *Morals are concerned with what is considered to be right or wrong, from the point of view of society

      - Ethical objectives are organizational goals based on moral guidelines in order to influence or determine business decision-making
      - Ethical decision-making considers more than just calculating costs, benefits and profits
      - This means such businesses act morally towards their various stakeholder groups,including employees, managers, customers,shareholders, suppliers, financiers, local community(including consideration for the natural environment),the government, and even competitors

- Advantages and disadvantages of ethical business practices
  - Advantages
    - Improved corporate image

      Acting ethically can help to enhance the corporate image and reputation of a business. Conversely, the media will report unethical business behavior which could seriously damage the firm's corporate image
    - Increased customer loyalty

      Customers are more likely to be loyal to a business that does not act immorally
    - Cost-cutting

      Ethical behavior can help to cut certain costs, e g. being environmentally friendly can reduce the amount of (excess) packaging, Ethical objectives and strategies can help the firm to avoid litigation costs (expenses associated with legal action taken against a business) that might otherwise arise from unethical and irresponsible activities
    - Improved staff morale and motivation

      Ethical behavior can help a business to attract and retain highly motivated staff People are more likely to be proud of the firm they work for if it acts ethically and within the law, This also helps to improve productivity and employee loyalty
  - Disadvantages
    - Compliance costs

      The costs of being socially responsible are potentially very high. For example, producing organic agricultural products is far more expensive than growing and harvesting genetically modified crops due to the additional time and money involved
    - Lower profits

      If compliance costs cannot be passed onto consumers in the form of higher prices, the firm's profitability is likely to fall. An ethical dilemma for the business exists when ethical decision-making involves adopting a less profitable course of action
    - Stakeholder conflict

      Not all stakeholders are keen on the firm adopting ethical objectives, especially if this conflicts with other business objectives such as profit maximization
    - The subjective nature of business ethics

      Views about what is considered right or wrong depend on the beliefs and principles held by individuals and societies
- Strategic objectives and tactical objectives
  - Business objectives can be categorized as long-term(strategic objectives) or short-term (tactical objectives)
  - Strategic objectives

- Refer to the long-term goals that the whole organization continually strives to achieve
- They are used to achieve vision or mission of the business as an organization
- Examples
  - Market standing

    This refers to the extent to which a business has presence in the industry
  - Image and reputation

    This stems from consumer beliefs and perceptions of a firm
  - Market share

    This is measured by expressing the firm's sales revenue as a percentage of the industry's total sales

- Tactical objectives
  - Refer to the short-term and specific goals of a business with definitive timelines for specific functional areas of an organization
  - In general, tactical objectives have a predetermined time frame of less than a year
  - Examples of such objectives relate to performance targets, such as to improve labor productivity or to reduce operational waste within different departments of the business